

**STATE OF MICHIGAN
DEPARTMENT OF LABOR & ECONOMIC GROWTH
OFFICE OF FINANCIAL AND INSURANCE REGULATION**

Bulletin No. 2008-11-INS

In the matter of

Property and Casualty Certificates of Insurance

**Issued and entered
this 15th day of August 2008
by Ken Ross
Commissioner**

Certificates of insurance, evidences of insurance, and similar insurance policy-related documents (collectively “certificates”) serve a valuable informational purpose and provide a courtesy summary of the terms of a property and casualty insurance policy to an insured or third party. The Office of Financial and Insurance Regulation (OFIR) is aware, however, that some insurance producers have been asked to provide certificates that purport to amend, extend, or alter the coverage of the underlying policy. Although producers may feel pressured or obligated to provide certificates that revise or misrepresent the actual policy coverage, they are violating Michigan’s Insurance Code (“Code”) when they do so.

Producers violate the Code when they issue a certificate of insurance that misrepresents the insurance coverage provided under the insurance policy and are subject to administrative fines and license suspension or revocation. MCL 500.1239, provides:

(1) In addition to any other powers under this act, the commissioner may place on probation, suspend, revoke, or refuse to issue an insurance producer's license or may levy a civil fine under section 1244 or any combination of actions for any 1 or more of the following causes:

* * *

(e) Intentionally misrepresenting the terms of an actual or proposed insurance contract or application for insurance.

* * *

(h) Using fraudulent, coercive, or dishonest practices or demonstrating incompetence, untrustworthiness, or financial irresponsibility in the conduct of business in this state or elsewhere.

Furthermore, MCL 500.2005(a), also prohibits a producer or insurer from misrepresenting the terms of an insurance contract, and violations can result in the suspension or revocation of a license and other administrative penalties. That section provides:

An unfair method of competition and an unfair or deceptive act or practice in the business of insurance means the making, issuing, circulating, or causing to be made, issued, or circulated, an estimate, illustration, circular, statement, sales presentation, or comparison which by omission of a material fact or incorrect statement of a material fact does any of the following:

- (a) Misrepresents the terms, benefits, advantages, or conditions of an insurance policy.

* * *

A certificate of insurance is typically a mere synopsis of the policy. Where it makes statements that go beyond actual coverage, a company risks changing the policy's terms. These changes are usually accomplished by a printed rider or endorsement form.

To prevent confusion and disputes over coverage, an insurer may well consider including prominently on the certificate a statement such as, "This certificate of insurance neither affirmatively nor negatively amends, extends, or alters the coverage afforded by policy number _____ issued by _____."

The usefulness of such a statement is evidenced by the laws of several states which require it.

OFIR urges all insurers to forward a copy of this bulletin to their producers and to remind their producers of the consequences of providing improper certificates.

Any questions regarding this bulletin should be directed to:

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A handwritten signature in dark ink, appearing to be 'KR' followed by a long horizontal stroke.

Ken Ross